



**Testimony of David Fink, Policy Director,
Partnership for Strong Communities, to
Senate Committee on Banking, Housing and Urban Affairs
“Creating Livable Communities: Housing and Transit Policy in the
21st Century”
March 26, 2009, Dirksen Senate Office Building**

Sen. Dodd, Honorable Members of the Committee, Distinguished Staff,

I am David Fink, policy director of the Partnership for Strong Communities, a statewide housing policy organization in Connecticut that seeks to educate and advocate for effective solutions to chronic homelessness, the lack of affordable housing and the problems that block the creation of vital communities and healthy neighborhoods.

We have long admired Sen. Dodd’s sincere concern about everyone’s right to a safe secure home. We are proud he is our U.S. Senator and we need not remind anyone of his dedication to families and their housing needs. We also very much appreciate this opportunity to offer our ideas today on the close and vital relationship between housing creation, mass transit and their many attendant benefits: lower housing costs, less air pollution, less traffic congestion and the unparalleled opportunity to spark economic growth and community development.

By influencing the density and location of housing and the methods of construction, we can use housing to help transform the way we use energy, and it can be a powerful tool in fighting climate change. Further, because housing, transportation and energy costs are some of the largest portions of all families’ budgets, housing policies that can simultaneously lower all of those costs at once can make households more economically secure and preserve money for other spending, which strengthens local and regional economies. This can be an instrumental part of positioning our country and our communities for the new economy that policymakers and others are trying to foster.

In Connecticut, we’ve been fortunate to discover tools that can help in this effort. I would like to tell you about HOMEConnecticut, an incentive-based mixed-income housing campaign that we successfully lobbied into a state program that is now working very successfully across Connecticut. Attached is a map showing that more than 65 cities and towns – well over a third of all municipalities in the state – are seeking to use

HOMEConnecticut as a way to create higher-density, mixed-income housing options in smart growth locations near transit and in town centers. We expect their success will move many more towns to take part.

We have had extraordinary success for seven (7) reasons:

1. **Municipalities need more housing options.** [CT] Connecticut is 47th among states since 2000 in units built per capita and has the 7th highest housing costs in the country. Inadequate production leaves us with a severe shortage of rental housing – and high housing costs. Towns don't have housing for police, firefighters, teachers, nurses, elderly residents needing to downsize and many others. They also need homes that permit young families to move in – families to volunteer for town boards, that patronize local merchants and breathe life into the communities. Towns won't be forced to create housing and, as long as they have zoning power, can't be. They won't create it out of the goodness of their hearts. They will ONLY create housing if they understand they need it, can find the right location for it and do it in a way that is mindful of other community concerns. Because towns derive 99% of their revenue from the property tax – and have no county government to share service-delivery with – they seek to avoid housing creation that they believe will increase costs more than revenues. They have thus tended to allow 55+ luxury retirement communities because they bring no school children to educate and large single-family homes that bring higher property tax revenue. But both ultimately cost the towns more than they provide in revenue.
2. **The HOMEConnecticut program is voluntary.** Municipalities participate if they choose to. By participating, they are eligible for state-funded planning grants that allow them to determine *if* they need additional housing options and, if so, what type of options are needed and where they should be located. Virtually none of these towns have spare funds to finance such studies on their own. The fact that the state offers planning grants for “free” is vital to the program's success; towns conduct the studies with no strings attached – they need not proceed with housing creation – but they tend to want to proceed once they find locations where density works and the town residents don't oppose housing creation there.
3. **The HOMEConnecticut program provides incentives to the town, landowner and developer.** Should a municipality want to create an Incentive Housing Zone that (a) allows higher density and (b) ensures that at least 20% of the units are affordable to those earning 80% of the area median income or less, the municipality receives \$2,000 per unit allowed in the zone, and another \$2,000 per unit when building permits are issued. For example, a town creating an overlay zone where 100 additional units were allowed (80% market-rate, 20% affordable) would receive \$200,000 when the zone was created and another \$200,000 when building permits were issued in the zone. There is also the unstated but very real incentive for landowners. We are seeing owners of land not initially for sale come forward and offer to sell it to a developer for mixed-

income housing creation if the town is willing to increase the density. When a town increases the density, the owner's land becomes more valuable. So the mere possibility of a higher-density overlay zone can make more land available for housing than there was previously.

4. **The HOMEConnecticut program gives municipalities enormous control.** Under the statute, communities can determine the amount of housing they want, the location, the type and the design. The statute requires densities of 6 single-family units, 10 townhouse or duplex units, or 20 multifamily units per acre. Those densities can't work in every place in every town and so towns must decide if there are locations that can accommodate those densities. Rather than the REACTIVE model of most housing creation – whereby a town votes up or down on whatever proposal a developer offers – the town employs a PROACTIVE model, determining if it needs housing, what type, and where. Then it seeks a developer to do the job. One caution: moving to a proactive model requires a change in mindset and a new approach. Towns don't know how to plan housing because few have done it. Builders and developers don't know how to approach towns that have identified locations for new housing to explain what they can do. There is only now a growing group of consultants that can help both parties put on those new hats. Thus, the state and others must help move that process along.
5. **The HOMEConnecticut program costs the state very little.** Unlike most government housing programs, huge subsidies are not required to serve this part of the housing market. In fact, the amount provided for incentive grants is modest – about \$50,000 each – and] The incentive money offers only enough for towns to make equally modest public works improvements or modest purchases to augment service-delivery. The affordability, in effect, is subsidized by the developer. By having to make only one of every five units affordable – and those at only 80% of the area median income – the builder can make enough profit on the four market-rate units to more than cover any costs he must eat on the fifth affordable unit. Over the last many years, federal and state affordable housing funds have ended up creating affordable housing in this 80% AMI range. But by using zoning to encourage the market to create affordability for this range, it allows us to target precious government affordable housing finance programs toward housing for even lower incomes. Even more to the point, letting the market provide housing at the moderate-income level lessens the demand moderate-income residents are now putting on low-income housing, a demand now driving up the cost of that scarce commodity. Should a town or state seek to use the HOMEConnecticut, mixed-income model for low-income housing, a state subsidy such as project-based vouchers could be added to deepen affordability.
6. **Mixed-income housing encounters less opposition than straight-affordable housing.** Even though today's affordable housing is usually attractive and well-built, communities still have concerns about having too many lower-income people living in one place, especially in their community. Although community concerns are sometimes based on misperceptions about the people who live in

affordable housing, there is some validity to the concern – concentration of poverty doesn't make sense for many reasons. **HOMEConnecticut changes the approach. Instead of trying to gain affordable housing only on a development-by-development basis (which is slow and cumbersome), this zoning approach can have affordability simply mixed throughout the normal course of market housing development.**

7. **We created a HOMEConnecticut Steering Committee that included all the stakeholders and we worked hard to sell the program.** We had housers, builders and developers, municipalities, business organizations, environmental groups, smart growth organizations, economists, planners, regional planning organizations, religious leaders, housing authorities, educators and respected former government officials to serve as spokespeople. We also visited every region and every town several times to make presentations, answer questions and explain what was possible.

These advantages – along with better information about the real effects of, rather than the myths about, housing creation – have helped combat the exclusionary zoning that has prevented creation of needed housing options. A failure to provide that information, combat those myths and offer the types of incentives that appeal to a particular market will allow demographic trends to overrun the local economy, government structure and way of life. In Connecticut, an aging population, a highest-in-the-nation exodus of 25-34-year-olds and continuing high home prices because of limited supply all threaten to leave the state with no population growth, no new labor pool, and no new taxpayers to support those no longer working. Our dependency ratio will rise to 82/100 by 2030 (from 67/100 currently) unless we make changes. Put another way, our state can expect by 2030 to have a 70% increase in our elderly population, while our working-age population remains flat. Many Northeast and Midwest states face similar trends.

The good news is that we can impact these trends. Higher energy costs and preferences for green, sustainable, walkable communities provide huge possibilities. Rail lines – and housing near them – allow businesses to easily move not only goods but workers and, more to the point, allow economic development commissioners to attract businesses to the state because that infrastructure is in place. In Connecticut, we are seeing more and more workers commuting to Connecticut jobs from Massachusetts and New York because they cannot find affordable, suitable housing options in our state or move from home to job with ease.

And it's not just rail lines. Housing along major bus routes can serve the same function. Such roads – either existing or potential commercial strips – can provide the same advantage of natural locations for housing density, while offering bus service to a final destination or to feed rail lines.

We believe the HOMEConnecticut model can fit perfectly with efforts to expand affordable mass transit in many states with bus service possibilities and existing or abandoned rail lines, especially when combined with President Obama's \$8 billion proposal to reinvigorate high-speed intercity rail travel.

The evidence is everywhere that housing helps rail transit and rail transit helps housing. You will note on the HOMEConnecticut map we have attached to our testimony that about half of the towns initially taking part are along existing or planned rail lines. The advantages are profound.

Rail transit allows affordable housing to be created because:

- There is much less NIMBY opposition to higher densities and affordability near a train station. Residents expect affordability and density there.
- Higher density, by definition, makes housing more affordable because lower land costs per unit lower the price, multifamily homes with shared walls reduce energy costs, and proximity to mass transit obviates the need for an auto, auto insurance and gasoline, leaving more disposable income for housing and other purchases.
- Because many people – including high-income residents – want to live near rail stations, mixed-income housing is easier for the market to provide. Profit from the market-rate units is so high that builders can still afford to produce more affordable units and, if needed, affordability deeper than 80% of median income. By the same token, that is why there MUST be an affordable set-aside in transit-related housing. Without it, wealthier residents would buy or rent all the units, leaving lower-income residents with their more-polluting cars to continue driving instead of using transit.
- The higher densities also permit a wider range of mixed-use development at the station. Rather than just the services commuters living far from the station might need – a newspaper stand, a dry cleaner, a fast-food outlet – having residents upstairs or down the block provides sufficient patronage for restaurants, food stores and other goods and service providers.

Housing, in turn, is good for rail transit:

- It ensures ridership and fare-box revenue. Allow people to live within a half mile of the station and they will ride the rail. This will obviate the need for higher state subsidies to support the rail service.
- Higher ridership and less subsidy will justify provision of expanded bus, jitney and feeder service, thus further expanding ridership and fare box revenue.
- By getting people onto trains and out of cars, traffic congestion is relieved and auto emissions are reduced.
- Perhaps most importantly, research has shown that compact, mixed-use development around transit stations significantly increases the value of that

land. That property value and the economic activity taking place there are taxable – that revenue can help pay for the transit and related infrastructure.

Offering a federal program shaped similarly to HOMEConnecticut would provide the single-most important key to success: SIMPLICITY.

There are no long applications, no competitions, no huge housing subsidy, no huge bureaucracy and no overarching attempt by government to plan the perfect housing program.

Towns take part if they feel there is not enough supply of housing options for the demands of their residents and if their residents can agree on a location that fits the town's needs and doesn't adversely impact neighborhoods.

Builders decide to build in Incentive Housing Zones if they believe there is sufficient demand, and if the densities provided by the town allow them to spread land costs across enough units to make the market-rate portion of the development sufficiently profitable.

The government's role is limited, low-cost and, again, simple.

It provides free planning grants to encourage towns to see if they can find good locations to create housing, with no strings attached. The state government determines that the towns will be looking at the right locations: near transit stations, in town centers or other areas of responsible growth. If the amount of planning grant money is limited, the government can establish a quarterly competition for the grants.

For towns that choose to move forward, the government can offer modest incentives designed to complement the housing situation: grants or loans for the transit stations, infrastructure upgrades, sidewalks and street lamps, or just cash.

In the end, the opportunity to get free planning money to create higher densities where town residents approve provides enough incentive: the housing options that town residents need, and property tax revenues that continue year after year.